
From: Perez, Alfredo <alfredo.perez@weil.com>
Sent: Friday, May 14, 2021 10:05 PM
To: Burrer, Karl (Shld-HOU-Bky); Heyen, Shari L. (Shld-Hou-Bky); Duewall, Craig (Shld-AUS-LT)
Cc: Barnet Skelton; Tommy R. Lamme - Fieldwood Energy (TLamme@fwellc.com); Choi, Erin; Carlson, Clifford
Subject: FWE | Letter re Operatorship
Attachments: 2337_001.pdf

EXTERNAL TO GT

Karl,

Please see the attached letter that is being sent to your client. We would like for your client to make available the appropriate operational people to facilitate this operatorship transition. Thanks,



Alfredo R Pérez

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May 14, 2021

BP Exploration & Production Inc.
200 Westlake Park Boulevard
Houston, Texas 77079
Attn: Danielle Scott

Re: Notice for Removal of Operator for Cause;

- Loop Subsea Production System Construction and Operating Agreement (“LSPS OA”) dated effective 1 December 2011, as amended, by and between Noble Energy, Inc., as predecessor in interest to Fieldwood Energy LLC (“Fieldwood”) BP Exploration and Production Inc. (“BP”), Red Willow Offshore, LLC (“Red Willow”) and Houston Energy Deepwater Ventures I, LLC (“HEDV”) covering the construction and operation of the Galapagos Area Loop Subsea Production System (“LSPS”);
- the *Emergency Motion to Compel BP Exploration & Production Inc. to Perform Pre-Petition Contracts* [ECF No. 792] (the “Motion”);
- the contested evidentiary hearing to consider the relief requested in the Motion, held on February 2, 2021, (the “Hearing”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Court”); and
- Order pursuant to Sections 105(a) and 365 of the Bankruptcy Code Compelling Performance of Pre-Petition Contracts in Case No. 20-33948, entered February 3, 2021 in Court (“Order”).

Dear Danielle:

Fieldwood writes in connection with the referenced matters and to formally provide BP, as LSPS Operator, notice of its failure to fulfill its duties and responsibilities to its fellow LSPS Owners: Fieldwood, Red Willow and HEDV. Specifically, BP has failed to fulfill its duties through its inability to timely execute critical operations to bring production from MC 519 #3 (“Genovesa”) on OCS-G 27278 (“Lease”) online prior to April 5, 2021, something that was necessary to prevent the Lease from expiring and was required of the LSPS Operator under Article 9.01 of the LSPS OA.

This inability on the part of BP as LSPS Operator to timely execute these critical operations was of such grave consequence and concern to Fieldwood, Red Willow and HEDV, that Fieldwood had no choice but to file the Motion to compel BP to perform its duties as LSPS Operator.

During the Hearing on the Motion, the Court made certain findings of fact and conclusions of law on the record, which findings were incorporated into the Order in their entirety, including the following in relation to BP as LSPS Operator and its inability to timely execute the critical operations for Genovesa:

- that “BP, who is willfully failing to comply with the [LSPS OA] and they are doing so for their own economic benefit” (Feb. 2, 2021 Hr’g Tr. 229:23–25);
- that BP “has put the priorities of others ahead of their duties and obligations under the [LSPS OA]” (Feb. 2, 2021 Hr’g Tr. 231:2–4);
- that “[BP is] in breach” of the LSPS OA (Feb. 2, 2021 Hr’g Tr. 229:25); and
- that “BP is acting in manner that is in bad faith under the [LSPS OA]” (Feb. 2, 2021 Hr’g Tr. 231:12–13).

Following the Hearing and as a result of BP's election to not make the necessary repairs, the Order authorized Fieldwood to be the LSPS Operator for the purposes of bringing Genovesa online prior to April 5, 2021. Fieldwood fulfilled the role of LSPS Operator and Genovesa commenced production on March 27, 2021, which prevented the Lease from expiring.

Pursuant to Article 3.02(a) of the LSPS OA, the "*LSPS Operator may be removed without the necessity of a vote of the LSPS Owners upon written notice by any Party during the continuation of one (1) of the following circumstances: (i) the LSPS Operator has been found liable by a final judgment of a court of competent jurisdiction...for an act of gross negligence or willful misconduct hereunder; (ii) the LSPS Operator...has been found to have committed a **substantial breach of a material provision** of [the LSPS OA] by a final judgment of a court of competent jurisdiction.*" (emphasis added)

As a result of the findings and conclusions of the Court at the Hearing incorporated into the Order and as provided for under Article 3.02(a) of the LSPS OA, BP should be removed as LSPS Operator upon written notice and without necessity of a vote of the LSPS Owners.

Therefore, Fieldwood hereby provides this written notice that BP has been removed from its role as LSPS Operator, effective as soon as practical but no later than 07:00 on August 1, 2021.

Fieldwood, as the LSPS Owner with the highest Equity Interest in the LSPS (other than BP as the removed Operator) shall administer the election of the new LSPS Operator, in accordance with Article 3.03 of the LSPS OA.

Fieldwood Energy LLC

By: 

Name: John H. Smith

Title: Senior Vice President – Business Development

Cc: **Red Willow Offshore, LLC**
Attn: Rex Richardson, Land Manager

Houston Energy Deepwater Ventures I, LLC
Attn: Heath Suire, Land